

CHAPTER 4. SCENARIO ONE REQUIREMENTS - The lender recommends the borrower for assignment.

4-1Scenario One Lender Requirements. After evaluating the borrower's case, the lender must:

A. Send Status Letter #1 - Positive Recommendation to HUD (Appendix A, ASGN-3) to the borrower and a copy to the HUD Field Office

B. Send the Assignment Review Packet, servicing records, and management review documentation to the Field Office.

1. The Assignment Review Packet must include the following:

- a. Completed Lender Transmittal to HUD, form HUD-92203
- b. Copy of Request for Financial Information, form HUD-92068-F, completed by the borrower
- c. Completed Analysis of Borrower's Income and Expenses, form HUD-92208
- d. Completed Date of Default Analysis, form HUD-92212
- e. Copy of the Request for Verification of Employment, form HUD-92004-G, completed by the employer and/or other evidence of income
- f. Completed Background Data for HUD Assignment of Mortgage, form HUD-92206
- g. Bankruptcy plan (if applicable)
- h. Copies of any other documentation used during the evaluation (e.g., credit reports, tax records, receipts, creditworthiness review documentation if mortgage was assumed, court order indicating bankruptcy lift of stay, if applicable, etc.)

2. Lender Servicing Records. The lender's servicing records must include the following:

- a. A copy of the Lender Assignment Packet Cover Letter (Appendix A, ASGN-2)
 - b. A copy of the ledger record or payment record reflecting the payment history for the 24 months prior to the oldest unpaid installment on the account or since the present borrower assumed the indebtedness (if this date is more recent)
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c. Copies of related collection records that show the lender's collection efforts and the borrower's responses during the 24 months prior to the oldest unpaid installment on the account or since the present borrower assumed the indebtedness (if this date is more recent)

d. A copy of the Mortgage Insurance Certificate (MIC), form HUD-59100

e. Interest rate schedules and payment change schedules for special mortgages such as adjustable rate mortgages, growing equity mortgages, and graduated payment mortgages

f. For Section 235 loans only, copies of the last two recertifications (forms HUD-93101 and 93101-A) and Notice of Suspension, Termination, or Reinstatement of Assistance, form HUD-93114, if applicable

3. Management Review Documentation. The management review documentation must include:

a. Evidence that the lender completed a comprehensive management review (i.e., foreclosure review committee checklist)

b. Mortgage holder's approval to foreclose

c. A copy of the lender's management review checksheet for the Assignment Program process. This may be combined with (a) above.

4-2 Scenario One HUD Field Office requirements. REVIEW CRITERIA THREE AND FOUR ONLY.

A. Upon receiving the Assignment Review Packet, servicing records, and management review documentation, the Field Office must:

1. Enter the case in the Automated Assignment Processing System.

2. Complete the Field Office Checksheet for Positive Lender Recommendations, form HUD-92204, within 15 days.

3. Verify that the person(s) requesting the assignment is the mortgagor of record. HUD will process assignment requests only from mortgagors of record, or from a person who has a possible legal claim to the title of the property, such as the child or spouse of a deceased borrower (see paragraph 2-3). If the borrower is not the mortgagor of record or other acceptable party according to paragraph 2-3, the case

must be rejected. Follow the guidelines in paragraph 7-2 for notifying the borrower and lender of the negative decision.

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4. Check to make sure the mortgage is FHA-insured by using the A43 system. Refer to paragraph 9-6 for guidance. If the mortgage does not meet the guidelines provided in paragraph 9-6, send the Letter to the Lender-Mortgage is not FHA-insured (Appendix A, ASGN-7). Refer to procedures in paragraph 9-6C.

5. Check the lender's servicing records for completeness. The lender's servicing records must include the documents specified in paragraph 4-1B2. See paragraph 4-2A8 if the lender's servicing records are incomplete.

a. When processing assignment requests on mortgages insured under Section 235, the Loan Specialist must determine if the lender handled the assistance contract correctly under the Section 235 program regulations (see Chapter 10 of Handbook 4330.1 (REV-5) Administration of Insured Home Mortgages).

b. The Loan Specialist must determine whether:

1. The assistance payments contract is still in force.

2. Suspension or termination of the contract, if applicable, was handled in accordance with the regulations.

3. The distribution of the mortgage payment between HUD and the borrower was properly calculated.

4. Required or optional recertifications were completed.

5. The mortgage was insured subject to the recapture provisions found in 24 CFR 235.12.

c. If the lender improperly administered the Section 235 contract, the Field Office must RETURN THE CASE TO THE LENDER to resolve the problems PRIOR TO processing the assignment request. Refer to paragraph 9-1 for guidance.

6. Check the management review documentation for completeness. The management review documentation must include the

documents specified in paragraph 4-1B3. See paragraph 4-2A8 if the management review documentation is incomplete.

7. Check the Assignment Review Packet for completeness. The Assignment Review Packet must include the documents specified in paragraph 4-1B1. See paragraph 4-2A8 if the Assignment Review Packet is incomplete.

Determine from documentation in the package if the borrower filed a bankruptcy petition. See paragraph 9-8 for processing assignments in cases involving bankruptcies.

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8. If the Field Office determines the Assignment Review Packet, servicing records, or management review documentation is incomplete, it should immediately notify the lender by telephone and in writing (use Field Office Letter to Lender Requesting Missing Documentation (Appendix A, ASGN-8)) and request the missing information.

a. The Field Office should give the lender seven (7) days to submit the missing documentation.

b. If the lender does not respond within seven (7) days, the Field Office may return the case to the lender for further servicing by sending the Letter to Lender When Requested Documentation has not been Received Within Specified Time Frame (Appendix A, ASGN-9) and a copy to the borrower. Close out the case in the Automated Assignment Processing System.

B. Review of lender recommendations to waive criteria. Only criteria three and four are to be considered.

1. Check if the lender recommended waiving Criterion Three (principal residence) (See paragraph 2-4C for waiver guidance).

a. If the Field Office decides to waive Criterion Three, the recommendation should be approved on the Field Office Checksheet for Positive Lender Recommendations, form HUD-92204, in the corresponding check block and recorded on the Analysis and Documentation of Assignment Eligibility Criteria, form HUD-92209. Use Evaluation Decision column for this purpose.

b. If the Field Office decides not to waive Criterion Three, the request to waive should be rejected on form HUD-92204 and recorded on form HUD-92209 Evaluation Decision column.

c. Refer to paragraph 4-3 for assignment decision

guidelines.

2. Check if the borrower owns two or more FHA-insured or Secretary-held mortgages by using the A43 system (see paragraph 9-6) and the SFMNS. (See paragraph 2-4D for waiver guidance). If the borrower owns two or more FHA-insured or Secretary-held mortgages, the case should be rejected. (If the lender recommends to waive this criterion, see paragraph 4-2B3 below for guidance).

3. Check if the lender recommended to waive Criterion Four (two or more properties). Based on the review in paragraph 4-2B2 above and the documentation provided by the lender, determine whether or not to approve the recommendation.

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a. If the Field Office decides to waive Criterion Four (see paragraph 2-4D for waiver guidance), the recommendation should be approved on the form HUD-92204 in the corresponding check block and recorded on form HUD-92209. Use the "Evaluation Decision" column for this purpose.

b. If the Field Office decides not to waive Criterion Four, the request to waive should be rejected on form HUD-92204 and recorded on form HUD-92209. Use the "Evaluation Decision" column.

c. Refer to paragraph 4-3 for assignment decision guidelines.

4-3 Assignment Decision

A. Positive Decision: The Field Office must accept the assignment of the mortgage if:

1. The case file is complete according to the checklist on form HUD-92204, AND

2. The lender did not recommend waiving either Criterion Three or Four, OR

3. The lender recommended waiving either Criterion Three or Four and the request(s) to waive the criteria was(were) granted.

B. Negative Decision: The Field Office must reject the assignment of the mortgage only if the lender recommended waiving criterion three and/or four and the recommendation(s) to waive was (were) not granted.

C. Refer to Chapter 7 for assignment decision notification

procedures.

D.Refer to paragraph 9-8 for procedures to accept or reject assignment of a mortgage during bankruptcy.

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